

# Budget 2004

## REGIONAL PRESS NOTICE

17 March 2004

### **PRUDENCE FOR A PURPOSE: A BRITAIN OF STABILITY AND STRENGTH: SCOTLAND**

A series of measures that will promote greater prosperity, flexibility and fairness for all in Scotland were announced by the Chancellor today.

Key Budget announcements include:

- confirmation that the economy continues to grow steadily and that the Government is on track to meet its strict fiscal rules for the public finances over the economic cycle;
- plans for public service efficiency savings and extra investment in education. In devolved areas these will be matters for the Scottish Executive to decide;
- plans to boost long term productivity and growth;
- tackling child and pensioner poverty;
- taking further steps to extend employment opportunity for all;
- promoting fairness in the tax system; and
- a range of measures to improve the environment.

The Government today underlines its commitment to a strong devolved regional policy benefiting all regions and countries of the UK in *Devolving decision making: 2 – Meeting the regional economic challenge: Increasing regional and local flexibility*.

As a valuable contribution to the Government's commitment to achieving a greater regional balance of economic activity, Sir Michael Lyons published on Monday his final report, *Well Placed to Deliver? – Shaping the Pattern of Government Service*, which sets out a series of recommendations for

relocating civil servants and other public sector workers from London and the South East.

Measures which are particularly relevant to individuals and businesses in Scotland include:

- further measures to tackle employability in enterprise areas, including the Business Premise Renovation Allowance. This will benefit the 135 most deprived wards in Scotland;
- extending eligibility for the VAT cash and annual accounting schemes, which could benefit 900 eligible businesses in Scotland;
- a New Deal for skills to ensure that individuals are helped to develop the skills they need for employment and employers can develop the skilled workforce needed for the success of their business;
- introducing a new definition of R&D from 1 April 2004, which will make it easier for up to 141 small and 100 large companies undertaking R&D in Scotland to claim the credit, and extending the range of costs that qualify for the credit to include power, water, fuel and software costs;
- the Barker Review of housing supply, published today, concludes that house building must rise substantially to reduce house price inflation and increase the number of affordable homes. The Government agrees with the need for a significant increase in housing development over time. It intends to implement a programme of reform to planning and delivery of development as recommended in the Review and consider a package of measures to increase housing supply, including social housing investment, alongside a Planning-gain supplement by end of 2005;
- publication of a consultation document to inform the preparation of a ten-year investment framework for science and innovation as part of the 2004 Spending Review, committing to grow public investment in the science base faster than the trend rate of GDP growth over the next Spending Review period;
- piloting of mandatory work-focused interviews for some existing incapacity benefits claimants in the Pathways to Work pilot areas, alongside a job preparation premium to reward relevant activity that supports a return to work. The provision will start from January 2005 in the first wave of Pathway areas, including Renfrewshire, Inverclyde,

Argyll and Bute, and will extend from April 2005 to a second wave of areas;

- from October 2004, an increase in the adult National Minimum Wage rate to £4.85 and the youth development rate to £4.10, benefiting at least 160,000 people in Scotland;
- significant reform of housing benefit from April 2004, including a £12.32 earnings disregard to strengthen work incentives for tenants;
- extra £100 help announced today with council tax and other living expenses this year for households with someone aged 70 or over. This will benefit 394,820 pensioner households in Scotland;
- raising the Pension Credit guarantee element to £105.45 for single pensioners and £160.95 for couples, from April 2004. 237,045 pensioner households in Scotland are eligible to benefit;
- as announced in the 2003 Pre-Budget Report, an increase in the child element of the Child Tax Credit by £180 to £1,625 a year from April 2004, equivalent to a weekly increase of £3.50. 203,400 working families in Scotland are eligible to benefit;
- a minimum wage for 16-17 year olds of £3 per hour from October 2004;
- as announced in the 2003 Pre Budget Report, a new Exploration Expenditure Supplement will be introduced to reduce barriers to entry for new North Sea companies;
- excise duty rates on spirits are frozen. Budget 2004 introduces a range of measures to tackle tax avoidance and fraud, including tax stamps for spirits;
- an additional £183 million in 2006-07 and an additional £407 million in 2007-08 for the Scottish Executive as a consequence of the spending increases announced for the Department for Education and Skills. The full 2004 Spending Review settlement for Scotland will be announced in summer 2004. It will be for the Scottish Executive to decide how to spend this allocation.

The Treasury will be publishing a leaflet setting out more detail about the Budget and explaining what it means for Scotland.

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## SCOTLAND STATISTICS

The New Deal has been successful in helping more than 98,360 in Scotland into work. This has helped employment in the Scotland rise by 5.3% and unemployment fall by 30.7% since 1997.

As a result of personal tax and benefit measures introduced since 1997, by October 2004 households in the Scotland will be, on average, £910 a year better off in real terms.

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## NOTES FOR EDITORS

The allocations announced today for the devolved administrations do not include increased local authority spending on education. It will be for the devolved administrations to decide what allocations to make to local authorities in the light of the overall 2004 Spending Review settlements for the devolved administrations in the summer, which will include the consequential of increased Office of Deputy Prime Minister funding for local authorities to be decided in Spending Review 2004.

Further details of Budget 2004 announcements can be found on the HM Treasury website: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk). Copies of Inland Revenue and HM Customs and Excise Budget Notes can be found on their websites at [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk) and [www.hmce.gov.uk](http://www.hmce.gov.uk) respectively.

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## **GOVERNMENT DEPARTMENTS INTERNET SITES**

Further information and all published documents relating to Budget 2004 may be found on the Internet at the following addresses:

HM Treasury [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

Inland Revenue [www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)

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